

~~CONFIDENTIAL~~

~~SECRET~~

Approved For Release 2004/06/24 : CIA-RDP79-00927A0004001300016 14

COPY NO.

OCI NO. 3034

31 December 1954

C O / E O

# CURRENT INTELLIGENCE WEEKLY



CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

~~CONFIDENTIAL~~

~~SECRET~~

DOCUMENT NO. 13

NO CHANGE IN CLASS.

DECLASSIFIED

CLASS. CHANGED TO: TS

S (C)

NEXT REVIEW DATE: 1989

AUTH: HR 70-2

State Dept. review completed

Approved For Release 2004/06/24 : CIA-RDP79-00927A0004001300016 25X1

25X1

25X1

THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECTIONS 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

The Current Intelligence Weekly has been prepared primarily for the internal use of the Central Intelligence Agency. It does not represent a complete coverage of all current situations. Comments and conclusions represent the immediate appraisal of the Office of Current Intelligence.

**CONFIDENTIAL**

Approved For Release 2004/06/24 : CIA-RDP79-00927A000400120001-6

~~SECRET~~

SUMMARY OF CONTENTS

THE SOVIET WORLD . . . . . Page 4

Signs of strain noted from time to time in recent weeks among the top Soviet leaders may reflect division over the way in which the Soviet Union should proceed to achieve its foreign policy goals, such as the prevention of West German armament. At the present time, however, a dramatic change within the Soviet leadership seems unlikely.

MAJOR TRENDS IN SOVIET POLICIES IN 1954 . . . . . Page 6

Soviet policy planning in all major fields appears to rest on the fundamental strategic premises that, under present conditions, a general war fought with nuclear weapons would involve unacceptable military and political risks for the Soviet Union, that Stalinist pressures drove the non-Communist world to unite and rearm, and that Stalin's policies resulted in serious weaknesses in certain vital sectors of the Soviet economy.

"DJILAS CONTROVERSY" AGAIN ERUPTS IN YUGOSLAVIA . . . Page 9

The disciplining of Vladimir Dedijer shows that the "Djilas controversy" of last January remains a serious internal problem for the Yugoslav Communist Party. Tito seems to be in firm control, but some further disciplining of party members may follow. The issue does not appear to be connected with the improvement in Belgrade-Moscow relations.

PEIPING BROADENS DIPLOMATIC RELATIONS . . . . . Page 11

Peiping may soon achieve further successes in its efforts to broaden its diplomatic relations. Negotiations are under way with Afghanistan, Nepal, and Yugoslavia; and Peiping has also made overtures to Japan.

31 Dec 54

CURRENT INTELLIGENCE WEEKLY

Page 2

**CONFIDENTIAL**

~~SECRET~~

Approved For Release 2004/06/24 : CIA-RDP79-00927A000400120001-6

**CONFIDENTIAL**

Approved For Release 2004/06/24 : CIA-RDP79-00927A000400120001-6

~~SECRET~~

PRESSURE MOUNTING IN ISRAEL FOR MORE AGGRESSIVE  
POLICIES . . . . . Page 12

Israel's frustration over what it considers to be an unsatisfactory situation in the Near East is resulting in a press campaign which is increasingly critical of the United States and which urges a tougher approach to the Arabs. The resultant build-up of popular feeling in Israel is likely to cause border incidents and promote instability in the area.

GUATEMALA--SIX MONTHS AFTER . . . . . Page 14

Six months after the overthrow of the pro-Communist Arbenz regime in Guatemala, the Castillo Armas administration still faces difficult political and economic problems in its efforts to restore stability to the country.

31 Dec 54

CURRENT INTELLIGENCE WEEKLY

Page 3

**CONFIDENTIAL**

~~SECRET~~

Approved For Release 2004/06/24 : CIA-RDP79-00927A000400120001-6

~~SECRET~~

## THE SOVIET WORLD

Signs of strain noted from time to time in recent weeks among the top Soviet leaders may reflect division over the way in which the Soviet Union should proceed to achieve its foreign policy goals, such as the prevention of West German armament. At the present time, however, a dramatic change within the Soviet leadership seems unlikely.

The American embassy in Moscow has commented that the striking differences on 21 December between Pravda, the party newspaper, and Izvestia, the government newspaper, in connection with the relative emphasis to be accorded heavy industry and production of consumers' goods could reflect a basic disagreement over the German question. The embassy considers it logical that differences over Germany would result in debate over the priority in heavy versus light industry as part of the main issue relating to the effect which an increase in military production would have on domestic economic policy.

On 24 December, the Soviet press harked back to the old formula for heavy versus consumers' goods production in publishing a three-month-old interview between Khrushchev and a British scientist. However, Pravda again shifted the emphasis to heavy industry on 28 December in its editorial and coverage of a two-week-old speech by Khrushchev.

Other signs of tension were evidenced when the Soviet press on 24 December announced the execution of former Soviet security chief V. S. Abakumov and several of his associates. The nature of the charges--particularly that the "Leningrad case" was falsified--made it appear to be a move directed against Malenkov by one or more of his colleagues. The "Leningrad case," apparently referring to the extensive removals of Zhdanov appointees in the Leningrad party organization during 1949, was generally interpreted as being part of Malenkov's strategy in gaining control of the party apparatus. Perhaps connected to this development is the fact that V. M. Andrianov, the official placed in the Leningrad post to administer the shake-up, was removed in November 1953 at a Leningrad party meeting attended by Khrushchev.

It is not inconceivable, however, that the announcement was designed by the leadership to attract further popular support through criticism of the Stalin regime and its ruthless police methods. Malenkov, himself, may be behind the

~~SECRET~~

~~SECRET~~

move. He may wish to rid himself once and for all of any association with the Leningrad affair by publicly blaming it on Abakumov and Beria. At the same time, he may also be serving notice to a minority group among the leadership that the post-Stalin policies inside the USSR will continue and public manifestations of disagreement within the leadership will not be tolerated.

~~SECRET~~

~~SECRET~~

## MAJOR TRENDS IN SOVIET POLICIES IN 1954

(SECRET)

Soviet policy planning in all major fields appears to rest on the fundamental strategic premises that, under present conditions, a general war fought with nuclear weapons would involve unacceptable military and political risks for the Soviet Union, that Stalinist pressures drove the non-Communist world to unite and rearm, and that Stalin's policies resulted in serious weaknesses in certain vital sectors of the Soviet economy. This Soviet estimate of the world situation is suggested by the USSR's major foreign, internal, and Orbit policies during 1954, and by recent expressions of what seems to be the prevailing mood among the top Soviet leadership.

Malenkov last March referred to the possibility of the "destruction of world civilization" in a general war--not just the collapse of capitalism--and the prominent Soviet economist Varga recently declared that "peaceful competition" between Communism and capitalism must not be allowed to develop into World War III, which would threaten the destruction of the human race. At the Moscow reception commemorating the October revolution, Malenkov stressed to Ambassador Bohlen the USSR's "serious and sincere" desire for "peace and normal and good relations with all countries." While such declarations may be considered part of the Communist peace propaganda, evidence suggests that they also reflect the general mood and thinking of the Kremlin leaders.

The outward manifestation of this basic trend in strategic thinking is evident in Soviet foreign policy. Outright military pressures and heavy-handed methods of expanding the areas of Soviet influence and control have been abandoned in favor of a return to the more traditional methods of diplomatic maneuver and of political infiltration through local Communist organizations within non-Communist countries. The Soviet leaders are trying to ensure a prolonged period of "peaceful coexistence" during which the danger of general war would not be great and Western apprehensions regarding Moscow's expansionist inclinations could be allayed.

In terms of policy planning, Soviet leaders seem to be preoccupied with long-range consolidation and strengthening of the Communist bloc within its present frontiers both in Europe and the Far East rather than the extension of this empire by military action or outright attempts by

~~SECRET~~

**SECRET**

foreign Communist parties to seize power. As long as the present Soviet strategy continues, the USSR can be expected to discourage other Communist states, particularly China, from initiating any action that could not be localized or that appeared to involve substantial risk of general war. In the Soviet view, cumulative Communist power will eventually turn the balance of world power against the West and open new opportunities for outward thrusts from present frontiers.

The top leadership seems to be going through a period of relative stability, even though there are occasional signs of differences over execution of policies. The principle of collective leadership has been strictly enforced throughout the party hierarchy, and the Kremlin is making a major effort to strengthen and invigorate the Soviet political system by limiting "bureaucratic" leadership and encouraging honest, efficient, and imaginative direction at all levels.

In its current domestic economic policy, the Soviet regime has been deeply committed to expanding production by introducing new incentive measures to raise labor productivity. The 1954 budget revealed a leveling off of military expenditures and a continued emphasis on long-range economic development and investment, combined with vigorous measures to carry out the program for increased production of agricultural and consumers' goods. The new emphasis on boosting agricultural output and light industrial production and the leveling off of military expenditures, as contrasted with the policies followed under Stalin, probably would not have been undertaken if the Soviet planners anticipated an imminent increase in international tensions.

Moscow's military planning is similarly oriented toward the long haul. The emphasis is on the steady strengthening of military capabilities, in particular the improvement of weapons, rather than on the mobilization of forces. In general, military policy in 1954 has been characterized by a stabilization of announced expenditures, personnel strengths and disposition of forces.

The 1954 budget allocation for maintenance and equipment of the armed forces, although about ten billion rubles below the amount allocated in 1953, appears adequate to maintain the military establishment at its present strength. Moreover, since it is likely that the 1953 defense allocations were underspent and even fell slightly below the 1952 level, the smaller budget allowance for 1954 probably does not represent a significant reduction from actual 1953 outlays.

**SECRET**

~~SECRET~~

The past year has witnessed changes in Soviet-Satellite control relationships which likewise point to long-term stabilization and consolidation. Satellite leaders apparently are committed to continuing until 1960 their "new course" policies aimed at increased consumers' benefits, and Moscow has been moving toward greater relaxation of direct control and toward granting the captive states at least the appearances of greater autonomy. The Soviet leaders would hardly have adopted this course if they were contemplating any drastic tightening of the means of control to support expansionist plans.

~~SECRET~~

**SECRET**

"DJILAS CONTROVERSY" AGAIN ERUPTS IN YUGOSLAVIA

The disciplining of Vladimir Dedijer, formerly an important Yugoslav propagandist and the official biographer of Marshal Tito, shows that the "Djilas controversy" of last January remains a serious internal problem for the Yugoslav Communist Party. Tito seems to be in firm control, however, and some further disciplining of party members may follow, possibly reaching as high as the chief of staff of the armed forces. The issue does not appear to be connected with the improvement in Belgrade-Moscow relations.

The seriousness with which the regime views the situation is shown by the preparations to prosecute Dedijer on a charge of propagandizing against the state, in contrast to the action last January when former vice president Milovan Djilas escaped criminal proceedings, although his advocacy of increasing political democracy in Yugoslavia cost him his government and party posts. The continuing support which Dedijer gave Djilas' views was probably considered as presenting only a routine problem--namely to quiet Dedijer, still a party central committee member.

The case assumed larger proportions when both men started talking to foreign correspondents, reaching the point where Dedijer is now accused of aiding Djilas in attempting to create factions within the party. Dedijer's open flouting of party discipline in the past two weeks probably accounts in part for the severity of the steps against him. The original decision to discipline him, however, was probably taken at a central committee plenum on 27 November, three days prior to Tito's departure for Southeast Asia.

Djilas is said to believe that both Tito and Vice President Rankovic approved the original move before their trip. Tito, in order to dissociate himself from a move which will be unpopular among some younger elements of the party, may have specifically desired that it take place during his absence. Dedijer, on the other hand, reportedly questions whether Tito even knows about the current actions.

Dedijer has also claimed to sources of the American missions in Belgrade that the move to discipline him resulted from connivance between the Soviet and Yugoslav parties to remove some of those most responsible for stirring up anti-Soviet resentment in 1948 in order to clear the way for a

**SECRET**

**SECRET**

Yugoslav-Soviet rapprochement. Djilas, however, completely discounts any Soviet influence in the present affair and reportedly calls it strictly an intraparty struggle, a view supported by all the other evidence.

Disciplining of others is possible. There have been reports that Chief of Staff Peko Dapcevic, who was peripherally involved in the January dispute, is to be transferred to an army field command. Besides Dapcevic, there are many other top army generals who by nationality ties are allegedly sympathetic to their fellow Montenegrin, Djilas. However, Dapcevic's strong condemnation of Djilas and Dedijer for their actions may have saved the regime from having to take steps which might arouse the hostility of the entire leadership of the army. Rumors of an impending shake-up in the Foreign Ministry have not been substantiated.

The Yugoslav leaders are probably not seriously concerned over the actual power that Djilas adherents can exercise, since his following has been largely among students, writers, and similar groups. They are undoubtedly worried, however, about the long-term influence of Djilas' and Dedijer's views. Djilas and his supporters, especially now that he advocates a full two-party political system, will probably be more and more characterized as decadent "bourgeois" who, like Dedijer, "place themselves at the disposal of those quarters abroad who are not amicably disposed toward socialist Yugoslavia."

Belgrade can be expected to limit opportunities for public expression of disagreement with the regime, a freedom somewhat increased in recent years, and strong attempts are almost certain to be made to seal off vocal dissidents such as Djilas and Dedijer from contact with both Yugoslavs and foreigners. Further attempts to tighten party discipline are likely and a mild purge of "nonbelievers" may follow.

**SECRET**

~~SECRET~~

## PEIPING BROADENS DIPLOMATIC RELATIONS

Peiping may soon achieve further successes in its efforts to broaden its diplomatic relations.

Chou En-lai announced on 21 December that "progress has been made" in talks with Afghanistan and Nepal, and revealed that negotiations are under way with Yugoslavia. He repeated an earlier bid for relations with Japan.

Afghanistan recognized Peiping in January 1950 but never exchanged envoys. Although Nepal has not recognized Communist China, Chou said last September that Peiping was willing to establish normal relations with that country. The Nepalese foreign minister recently stated that his government was considering the matter, and it seems likely that Nepal will eventually enter into at least nominal relations with Communist China.

Yugoslavia recognized Peiping in 1949 but was ignored by the Chinese until recently. According to Belgrade, the current talks are at Peiping's initiative, and the Chinese may be talking directly with Tito while he is visiting in Southeast Asia. China's present willingness to establish relations is almost certainly a part of the Orbit's campaign to strengthen its position with Belgrade.

Both Moscow and Peiping have been suggesting in recent months that they may withdraw their previous condition for the establishment of relations with Japan--namely, that Tokyo must break with the United States.

In the last six months Peiping has concluded nonaggression understandings with India and Burma, has sent a new and abler ambassador to Indonesia, has replaced its minister in Finland with an ambassador, and has named an ambassador to Norway and chargés to Great Britain and the Netherlands.

Peiping announced last September that contacts had been made for the purpose of establishing normal relations with Israel. Nothing further has been said on this matter, but a trade delegation from Israel is soon to visit Communist China.

Peiping apparently intends to try to establish relations even with those governments which have been markedly unfriendly to it. Chou En-lai said last September that the view that Peiping could not establish normal relations with Thailand and the Philippines was "groundless."

~~SECRET~~

~~SECRET~~

## PRESSURE MOUNTING IN ISRAEL FOR MORE AGGRESSIVE POLICIES

Israel's frustration over what it considers to be an unsatisfactory situation in the Near East is resulting in a press campaign, in part government-inspired, which is increasingly critical of the United States and which urges a tougher approach to the Arabs. Israel appears to be largely interested in calling the attention of world opinion to the situation; however, the resultant build-up of popular feeling in Israel is likely to cause border incidents and promote instability in the area.

The Israeli press has in the past several weeks shown considerable uneasiness over various international developments which it views as inimical to Israel. Of top concern has been the subject of American arms to the Arabs. Both conservative and radical papers took advantage of the arrival of the first shipment of American military grant aid equipment to Iraq in mid-December to voice misgivings and thinly veiled threats of Israeli action. The newspapers insisted that sending arms to the Arabs canceled all Western declarations of neutrality, posed a direct military threat to Israel, and would force the country into an expensive armaments race.

The press has likewise given close attention to the Egyptian detention of the Israeli vessel Bat Galim, which attempted to transit the Suez Canal in late September. The writers insist that Israel will not continue indefinitely to accept Egypt's refusal to grant Suez transit rights, and warn that unless the Security Council takes "action" on the Suez issue, "Israel may consider herself released from some of the obligations imposed by the UN Mixed Armistice Commission decisions."

The current trials in Egypt and Lebanon of spies for Israel are also given intensive treatment in Israel. The possibility of their execution has roused the press to threaten mass retaliation, since "we hold an army of real Arab spies."

Added irritants to public opinion are the uncertain future of North African Jews, the proposed rearming of West Germany, and public statements by prominent Americans critical of Israel or friendly toward the Arabs.

~~SECRET~~

~~SECRET~~

The intensity of this campaign appears to have at least tacit government approval. Despite Prime Minister Sharett's reputation as a moderate, he has clearly indicated that Israel is determined to secure free transit of the Suez. He has told American officials that if the Bat Galim is permitted to pass through the canal, "the United States could be assured of a long period of lull."

Other Israeli officials have also been outspoken on these issues, thus giving the impression that the government is adopting a harder line. Aside from the known "activists" in the government, which are grouped around Defense Minister Lavon and Chief of Staff Dayan, there appears to be a gradual increase in the number of younger and more aggressive leaders in the government and party organizations. Several reports have in the past months noted intemperate statements of Yigdal Alon and Israel Galili, two retired colonels now active in politics.

The government, in emphasizing that the situation in which Israel finds itself is impossible, apparently is continuing its efforts to alert international opinion and induce the Western powers and the UN to force the Arabs to negotiate a settlement with Israel, or at least to moderate their economic boycott.

By permitting the development of this strong press campaign, the government exposes itself to increasing pressure to take a tougher line toward the Arabs and the West. It runs the risk of destroying some of the popular good will in Israel toward the Western powers, particularly the United States. Furthermore, the government may be forced by intense popular sentiment on this problem to engage in frontier action or permit private expressions of antagonism, including acts of violence against the Arabs. The interception of a Syrian air liner in mid-December appears to have been thus motivated.

War between Israel and the Arabs as a result of such incidents is not anticipated, but the stability of the Middle East is further undermined through this development, thus decreasing the possibility of a negotiated settlement.

~~SECRET~~

~~SECRET~~

## GUATEMALA--SIX MONTHS AFTER

Six months after the overthrow of the pro-Communist Arbenz regime in Guatemala, the Castillo Armas administration still faces difficult political and economic problems in its efforts to restore stability to the country.

The anti-Communist movement which supported Castillo Armas' revolution against Arbenz last June is disintegrating. Public confidence in Castillo's administration was described by the American embassy on 17 December as being at its lowest ebb since the abortive army uprising last August, though President Castillo himself continues to enjoy wide personal popularity. The administration, which assumed merely a cloak of constitutionality with the election on 10 October of a constituent assembly, is resisting pressure from political groups, hungry for public office, for a return to constitutional government.

Castillo wants to rule by decree for as long as possible, and hopes to delay the promulgation of a new constitution for at least a year. His administration still shows evidence of confusion and bungling, and is being widely criticized for its ban on all political parties and for other alleged antidemocratic tendencies. A number of unconfirmed rumors of impending plots against the government are causing further uneasiness.

Evidence that the Communists are recovering from their collapse of last June has appeared in the clandestine circulation of Communist newspapers. The embassy received a reliable report in November that a well-organized system of Communist underground cells has been formed. The embassy believes that the Communists are not strong enough to cause trouble by themselves, but that their ability to operate at all is an unsettling factor.

Economically, the administration is faced with serious immediate problems for which no quick solution seems possible. Unemployment is at a record level and labor morale is low. Business, though slowly recovering, is still depressed and business leaders lack confidence in the government. The high cost of living and a threatened shortage of corn, a basic food crop, add to the discontent.

~~SECRET~~

**CONFIDENTIAL**

Approved For Release 2004/06/24 : CIA-RDP79-00927A000400120001-6

**SECRET**

The full effect of the \$6,400,000 in American aid will not be felt for several months. An eventual boost to the economy may come from investments by American oil companies, now competing for concessions in Guatemala. On 27 December the Guatemalan government and the United Fruit Company, the country's largest business, signed a new agreement which will bring the government considerable additional revenue.

Nevertheless, unless economic recovery is speeded up and unless the administration shows more ability, the political situation may deteriorate over the next three to six months to such an extent as to threaten the regime.

**CONFIDENTIAL**

**SECRET**

Approved For Release 2004/06/24 : CIA-RDP79-00927A000400120001-6